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CITY OF SANTA BARBARA

PARKS AND RECREATION COMMISSION REPORT

AGENDA DATE: January 26, 2011

TO: Parks and Recreation Commission

FROM: Golf Division, Parks and Recreation Department

SUBJECT: Fiscal Year 2011 Golf Six-Month Rounds and Revenue Report

RECOMMENDATION: That the Commission receive a report on rounds and revenue at the Santa Barbara Golf Club for the first six months of Fiscal Year (FY) 2011.

DISCUSSION:

This report provides a six-month status of rounds and revenue at the Santa Barbara Golf Club for FY 2011. Also included is a look toward year-end and FY 2012 budget planning.

Background

The FY 2011 Golf Division budget was developed conservatively due to several factors: a continuing national decline in the sport of golf; the decline of revenue and rounds at the Santa Barbara Golf Club (SBGC) due to two major construction projects in FY 2010; and the overall state of the economy. Although the golf course has seen a slight decrease in rounds over the past ten years (3-5% per year), in FY 2010 rounds were down -16.2% over the previous year, and revenue was down -24.1%.

Early in the budget process the Department initially proposed a FY 2011 Golf Division budget that included higher than average fee increases (\$3-5) and expenditure reductions, including the elimination of a full-time Grounds Maintenance Worker I, in order to balance the budget. With concurrence by the Golf Advisory Committee and the Parks and Recreation Commission, City Council adopted an alternative budget strategy in June 2010. This strategy assumed a higher number of rounds for FY 2011 with higher revenue to offset the need for fee increases, some reduced expenditures including a maintenance position reduced to half-time, and increased marketing expenses to encourage more play at the Golf Course.

In developing the rounds and revenue projections for the FY 2011 budget, it was decided to use the FY 2009 rounds and revenue as a base comparison as construction had an overly negative impact on the course last year. Taking into consideration the continuing decline in the sport of golf, the economy, and recovering play following construction,

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Greens Fee Revenue was projected to be 8.4% below what was received in FY 2009, while rounds were projected to be 11.3% below play in FY 2009.

Rounds and Revenue July through December

FY 2011 Actual

The attached report, Golf Greens Fee Revenue and Rounds – Comparison FY 11 to FY 09, shows monthly rounds and revenue against budget. In this first six months of the fiscal year, there has been an increase in rounds very close to what was projected in the budget; however, revenue is below budget.

ROUNDS REVENUE FY 2009 Actual 70,546 \$1,882,515 FY 2011 Budget 63,623 \$1,725,172 July - December FY 2009 Actual 36,250 \$956,139

32,061

\$778,588

Rounds and Revenue at Mid-Year

Rounds

Rounds are at 50.4% of budget at mid-year. As the table above shows, through December the golf course has seen a total of 32,061 rounds, down 11.6% from FY 2009. Given the significant rains in December and the upcoming spring marketing campaign, the golf course will very likely surpass the budgeted rounds for this year. Although not shown, rounds this year are 10.3% above this time last year.

Revenue

Revenue is 45.1% of budget at mid-year. As seen in the table above, through December Greens Fee Revenue is down 18.6% from FY 2009, more than double the projected -8.4%. Although not shown, revenue is almost 9% higher than last year.

Although rounds appear to be well on track to exceed budget, revenue is lower than expected. This is primarily due to the following factors:

- 1. The specials and promotions undertaken at the golf course to encourage golfers to return following construction, and to increase the number of times current golfers play the course.
- Local golf courses are challenged to compete with the specials and discounts offered to attract golfers to the Glen Annie Golf course which is positioning itself for a buyer.
- 3. Golfers are adjusting their preferences to play at discounted times (i.e., twilight)

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- 4. Continued strong participation by golfers using the Axxess card for discounted greens fees.
- 5. Although weekday rounds are up 16% since FY 2009, weekend rounds are down 43%. Some portion of reduced weekend rounds is related to the economy and declining tourism; however, this has also been cited as national trend related to golfers having more competing priorities on weekends. Other local courses have reported the same trend.

It is assumed that the above factors will continue to have a detrimental effect on revenue this year, although if rounds exceed budget as projected that will benefit the golf course at year-end. Additionally, the golf course received a portion of a cash settlement (\$52,000) negotiated by the City against the design firm affiliated with the Las Positas Storm Water Improvement Project. This is compensation for lost golf course revenue due to the required redesign and extended duration of the project.

FY 2011 Marketing Program

With the fiscal success of the golf course dependent on significantly increasing rounds above current levels, the FY 2011 marketing budget was significantly increased. A marketing committee was established which includes staff, the Golf Pro, Mulligans, representatives from the Golf Advisory Committee, and a volunteer who is a golfer with a corporate marketing background. A number of marketing approaches have been implemented and are being planned with the goal of attracting new golfers and encouraging current golfers to play more frequently. Advertising has been expanded with new promotions in print and television media, internet marketing, and special offers for golfers. A major campaign is in the planning stages for spring 2011.

Mid-Year Outlook and Planning for FY 2012

With FY 2011 revenue potentially below budget, the Golf Course is making necessary expenditure reductions to compensate. Reductions in hourly salaries, chemicals, supplies, and marketing expenses have been identified. An appropriated budget reserve of \$52,252 (furlough savings) will also help offset revenue loss. With projected expenditure savings, at mid-year the golf course is projecting a net budget impact of -\$32,500.

Planning is underway for the FY 2012 budget. Revenue and rounds to date will play a large factor in developing projections for next year. There have been no significant fee increases at the SBGC since June 2008. If a fee increase is likely in order to balance the FY 2012 budget, staff are weighing the timing that increase. Consideration is being given to increasing fees prior to the kick off of the spring 2011 marketing campaign since that campaign is planned to take place over spring, summer, and fall 2011, rather than in July while the campaign is in mid-stream. That increase would also improve the revenue picture for the current year.

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Golf Advisory Committee

The six month rounds and revenue was discussed at the January Golf Advisory Committee (GAC) meeting. There was significant discussion about the decline in weekend rounds, concern that raising fees will further discourage golfers, and how the current price war at local golf courses is undermining many of the courses including SBGC. The GAC agreed that the priority focus should be retention of the core golfers, and perhaps instituting a more aggressive frequent player rewards program. A number of other ideas were discussed as well. The GAC agreed to schedule additional meetings through June to focus on budget, fees, and marketing.

ATTACHMENT: Golf Greens Fee Revenue and Rounds –

Comparison FY 11 to FY 09

SUBMITTED BY: Nancy L. Rapp, Parks and Recreation Director